



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Sue Fahey, Finance Manager; Susan Eicher, General Accounting & Treasury Supervisor  
DATE: February 19, 2016  
SUBJECT: Regulatory Deferral of Pension Expense  
OBJECTIVE: Approval of Resolution No. 1609

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## **Issue**

As discussed at prior Board meetings, EWEB is implementing the new Governmental Accounting Standards Board pension standard (GASB 68) for the 2015 annual report. Information recently received from Oregon PERS indicates that implementation will result in significant non-cash expense to EWEB. Staff is requesting that the Board approve treating this non-cash pension expense as a regulatory deferral on EWEB's financial statements.

## **Background**

The intent of GASB 68 is to improve financial reporting, transparency and comparability of pension benefit obligations. GASB 68 changes the landscape of pension reporting in the financial statements, the note disclosures, and required supplementary information. Implementation of GASB 68 results in a non-cash pension expense due to amortization of annual changes in EWEB's Net Pension Liability. Recording the pension liability will have no effect on rates, and management does not intend to recover the cost of these non-cash expenses in rates.

Under regulatory accounting, revenues and expenses are allowed to be deferred and recognized in the period when those items are included in rates. The pension obligation expenses will be included in EWEB's employer PERS contribution rates as set by statute. Management wishes to defer the non-cash GASB 68 expenses until future rate periods when revenue requirements will include the effects of those changes in EWEB's PERS contribution rate.

## **Requested Board Action**

Management requests approval of Resolution No. 1609 authorizing the treatment of the non-cash portion of pension expense as a regulatory deferral.

**RESOLUTION NO. 1609  
MARCH 2016**

**EUGENE WATER & ELECTRIC BOARD  
AUTHORIZING DEFERRAL OF EXPENSES NOT TO BE RECOVERED IN RATES**

**WHEREAS**, The Eugene Water & Electric Board (EWEB) prepares financial statements in accordance with accounting principles generally accepted in the United States of America;

**WHEREAS**, these generally accepted accounting principles are determined by the Governmental Accounting Standards Board (GASB);

**WHEREAS**, accounting principles as governed by GASB allow regulated entities, such as EWEB, that set rates based on revenue requirements to defer the effects of revenues or expenses that are not expected to be recovered in current rates until such time as those revenues and expenses are recovered in rates;

**WHEREAS**, EWEB has implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which will result in significant expense that is not expected to be recovered in current rates;

**WHEREAS**, EWEB policy requires that regulatory accounting deferrals that are not included in the annual budget are approved by resolution of the Board of Commissioners (Board);

**NOW, THEREFORE, BE IT RESOLVED**, that the Board hereby approves the treatment of pension expense as a deferral under regulatory accounting as allowed by Governmental Accounting Standards Board Statement No. 62.

DATED this 1<sup>st</sup> day of March, 2016.

THE CITY OF EUGENE, OREGON  
Acting by and through the  
Eugene Water & Electric Board

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President

I, ANNE M. KAH, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its March 1<sup>st</sup>, 2016 Regular Board Meeting.

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Assistant Secretary